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## THE RELATION OF LAND VALUES AND TOWN PLANNING

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As men learn to coöperate in their industry, their commerce, their intellectual pursuits and their social pleasures, their desire to live together becomes stronger. The village becomes a town, the town spreads and becomes a city, and owing to this increase of size, competition to occupy the more central stations becomes keen because of the further possibilities they offer for coöperation. By multiplying the opportunities of life and industry these central positions acquire a high value and the more energetic people are willing to pay a good price for the privilege of occupying them. In this way arises site value or ground rent, which is simply a payment for the right to occupy the more profitable places.

Theoretically, ground value represents the sum of the advantages which any site has by virtue of its position, beyond those attaching to the best unoccupied places. If the whole of the land were in one ownership, and the advantages of each place could be accurately assessed, then actual ground value or rent would approach as nearly to theoretical rent as would leave a margin of advantage sufficient only to stimulate the necessary competition.

Seeing that the advantages of the best sites can only be enjoyed by the few, and that the larger number of people must put up with the less good positions, the principle of equality of opportunity is not best satisfied by a low ground rent; but on the contrary, leaving aside for the moment the question of who enjoys the ground rent, that principle would seem to require that ground rents or values should be high, that those who enjoy positions of exceptional privilege or opportunity should pay approximately the full value for them. In a community in which industrial activities are on an individualistic basis, and where the site value is mainly used to defray public expenses, either by taxation or by public ownership, rent would be a means of equalizing the positions for everybody, as its effect would be to handicap the exceptionally well-placed. In a mod-

ern community there are many factors disturbing this simple position; but it should be definitely recognized that it is not to the interests of the many that site value or site rent should be low, and can only become so to a limited extent when the greater part of that rent is enjoyed by a few individuals. The amount of rent which may be attached to any position is not, however, due only to the advantage of the position, but to all the advantages of any kind, the enjoyment of which depends in any degree on the location. The establishment of a convenient railway station may very greatly enhance the value of the land around it; and nearly all public improvements increase the value of the sites in their neighborhood. On the other hand, restrictions upon the use that may be made of a site will limit the value materially; and this is equally true whether those restrictions are due to custom or to law. In modern cities then we see that ground value is to an increasing extent controlled or influenced by public or semi-public activities, even in those countries where the theoretic principles of individualism have been least interfered with.

So long as these activities of the public are not understood, the owners of land accept their effects as part of a natural law of supply and demand and submit with good or bad grace to have the value of their land increased or reduced. If an owner tries to use his land for the building of high tenements in a country where the people refuse to adopt this system of housing, and if, in consequence, he fails to realize the high value of his land which may be obtained by this use of it in other districts, he hardly thinks of asking the community to compensate him; but if the community, by regulation, forbids him to build more than a limited number of stories, he immediately thinks that he is entitled to compensation. In like manner, if an owner has a strip of his land rendered useless for building by reason of some objectionable erection on an adjacent plot, he has to accept that as one of the natural circumstances causing fluctuations in land values; but if the community in the public interest seeks to set back his building a few yards to widen the street, he claims the highest compensation that he can induce any valuer to assess.

I think, therefore, that the second point that should be realized in reference to land values is that they have ceased to represent merely the result of unconscious competition; but that they are constantly being increased and reduced by conscious communal action

of one sort or another. Apart from one important circumstance, there would seem to be no sufficient reason why the community should not regulate the use of land entirely in the public interest, and with as little regard to the effect on individual land values as is paid by the natural law of supply and demand. That one important circumstance is that the whole financial arrangement of our society depends to a large extent on the stability of land values. We cannot, therefore, consider policies which affect these values purely in regard to any abstract right, but must also consider their expediency; whether the gain will counterbalance any evils arising from disorganisation of finance and commerce.

There can be little doubt that urban problems would be immensely simplified if the whole of the land on which the city stands and over which it may be likely to extend were owned by the community, and if the rent that is payable by the privileged for the best positions could be used to defray communal expenses, the benefits of which are enjoyed by all. We see in Europe many instances where the urban community owns so much land that all communal expenses are defrayed out of the resulting revenue and in some cases there is even a distribution made annually of the surplus income, either in cash or produce.

There is, however, a very considerable difficulty in reaching this position when once the contrary one of private ownership has been established. It arises from the fact that the increase in land values is so considerable when a town grows, that individuals are willing to speculate extensively on the probability of this increase; and that around existing towns the speculative value of land is always very considerable, and any community purchasing that land must necessarily enter into the speculation. If the town should continue to grow that speculative value would, no doubt, very soon be overtaken. On the other hand, if the town should remain stationary, the speculative value might not be reached for a long period, might even never be reached, and the public would in that case be saddled with a very heavy charge.

There are two main interests which the public have in this question. The first and most important is to secure that land shall be used in the best possible way in the public interest. This is as important in urban centers as it is in rural districts. The second public interest is that the value or ground rent which is paid by privileged

people for the occupation of advantageous sites should be enjoyed as far as possible by the whole of the people who are excluded from those sites, so that the inequality of opportunity should, as far as possible, be removed.

Of these two interests, the first is overwhelmingly the more important. Indeed so important is it, that if a case could be made out proving that the public, acting in their corporate capacity, were incapable of securing as good and effective a use of land as individual owners could secure, it would justify leaving to individual owners the exclusive enjoyment of a substantial share of the ground value resulting from their use of land, as an inducement to them to manage it in the best manner. Cases could no doubt be cited in which individual management has been better than public management, and where the community as a whole has been benefited by it. We are, however, being forced today towards public control or management because, owing to the size and complexity of modern towns, the individual owner acting by himself is no longer able to secure that use of land which is most desirable in the public interest, even where it would be to his own interest to do so; and when, as frequently happens, the most desirable use would be detrimental to his own personal interest, one can hardly expect him to go out of his way to secure it. It is fairly evident that neither the interest of the owners collectively, nor the interests of the public can be served in a modern city by leaving unfettered individual control. It is only through collective management or control that many of the most important requirements of a modern city can be met. For this reason nearly all civilized communities are attempting to regulate, by means of town plans and town planning schemes, the use and development of urban land, to prevent the congestion of traffic, overcrowding of buildings, and indiscriminate mixture of buildings of different classes; and to secure the advantages of properly protected residential quarters, of industrial areas provided with adequate conveniences, and of commercial centers where the activities are not hindered by congestion of traffic or the occupation of valuable positions by factories and warehouses which should have been placed elsewhere.

One result of this regulation of development by town planning may be to control very materially the development of land values. In so far as town planning increases the efficiency of the industries and commerce of a town, in so far as it improves the opportunities

of intellectual and social life, and adds to the amenity of the residential areas, it will undoubtedly increase the total sum of land values, because it will add to the actual advantages of the city sites as compared with those offered by the nearest available unoccupied positions outside. But in so far as town planning restricts the use that may be made of individual sites, limiting for example the height of buildings or the number of houses that may be built upon each acre of ground, it must tend to reduce the value of land any part of the value of which is due to the expectation that a somewhat congested use of it would be permitted. In the same way the restriction of certain areas for particular classes of buildings, as, for instance, the reservation of areas for industrial buildings only, may, at any rate for a time, have the effect of reducing the value of those areas. The reservation of land for open spaces must also have the effect of taking away from the areas so reserved all prospect of a building value. On the other hand, wherever areas are reserved for open spaces in the immediate vicinity of a town, the reservation must have the effect of increasing the value of other land farther out, because the prospective buildings which expectation has placed on the land reserved for open spaces, expectation will now place on the land next available. Moreover, the limitation of the amount of building which may be placed on an area of residential land will have the effect of spreading the building value due to the residential use over a much larger area.

Let us for a moment examine the effect of limiting the number of houses to the acre upon any piece of land. At first sight it would seem that to halve the number of houses that may be put upon an area of land would have the effect of reducing its building value by half. But this is by no means the case. The increased value of land due to the increased crowding of buildings upon it represents a very diminishing return. The greater the number of houses placed upon an acre of land, the greater is the proportion of the land which must be occupied by roads; and the greater the number of roads on any piece of land the greater is the amount of street area compared with the effective building frontage. So true is this that very frequently it happens that a considerable reduction in the number of houses on an area of land will raise the cost of the plot by a mere fraction, even if the same initial value is paid for the land; and, in all cases, the reduction of the number of houses per acre very considerably reduces

the cost of the available land per square yard to the occupier. Moreover, if the number of stories in the building or buildings on the acre be reduced, a given increase of population will require a larger area of land, and so building value will extend over a wider area. It is pretty certain, therefore, that the total effect of limiting the number of houses to the acre, and generally of preventing congestion in residential areas is, paradoxical as it may seem, to secure cheaper land for the occupant and a greater total amount of value for the land owners. If the town planner is to be in a position to secure for a city the efficiency which springs from concentration of commerce and industrial activities, combined with the health, freedom, and general welfare which depend on a sufficient distribution of the population, the community must have the greatest freedom to control and limit the use of land and must not be hampered in the exercise of this power by a prohibitive cost of compensation, by the fear of injustice to the individual land owner, or of financial evils springing from large disturbance of land values.

To make our problem clearer, let us take as an example the case in which the maximum difficulty arises, namely, the reservation of adequate open space. There can be no doubt that in most of our large towns congested urban development has reached an extent beyond which the town should not spread without the reservation of a considerable area of open space. While such open space would not necessarily take the form of a continuous ring (this would depend on the nature of the land and other circumstances) still substantially what is required is a belt of open ground to serve as a breathing space, and to secure recreation and general amenity of conditions. This belt would take just the area of land which has the highest prospective building value, and to condemn this wholesale under a town planning scheme to be reserved as open space without compensation would undoubtedly cause great individual hardships and produce considerable financial disturbance. On the other hand, to purchase it at its present prospective building value would involve the community in a very heavy outlay, and an outlay, moreover, which is not really justified, because the community would be paying for a building value which it does not destroy but merely transfers. The effect of reserving a quarter mile belt of open space around a town would simply be to transfer the prospective building value of this belt to the belt immediately outside it. The

town would continue to grow, but the houses, instead of being built on the first quarter of a mile belt, would be built on the second. The prospective building value of this second belt would rise, not only because the first belt was taken out of the market, but also because the attractiveness of being adjacent to a belt of permanently reserved space would render that land actually more valuable for residential purposes than the land which was taken out of the market.

The problem then before us is this. Can we adopt any method which, without creating undesirable financial complications or inflicting undeserved hardships upon individual property owners, will enable the public properly to control the development of its towns and check the congestion of its urban dwellings?

There would appear to be two methods which would secure the end aimed at.

1. There is the obvious method of purchasing the land around the town. If a city purchases a sufficient area of land all round its borders, it can then control the development; and as it will have purchased some at high building value, some at medium, and other at purely agricultural value, it may proceed to regulate and distribute those values by allotting some land for open spaces, some for agriculture, some for industrial development and other for residential purposes, without reducing in any way the total value; and indeed, it would probably materially increase the total value by the great increase in efficiency for industry and attractiveness for residence which careful planning and distribution would secure. On the other hand, as pointed out above, if the town became stationary and failed to develop further, the community would be saddled with an outlay based on prospective building value which was never realized.

2. There would, however, seem to be a second method of securing the end we aim at. We have seen that we are really dealing with a question of distribution of land values and not with one of their destruction; that wherever the value of some land is reduced by limiting the amount of building allowed upon it, or by its reservation for open spaces or factories, other land will be increased in value to a like amount by having transferred to it the prospective building value that has been removed by the restrictions. Now this increased building value is a new value conferred by the action of the community; it does not form part of the present prospective



value. No financial arrangements have been based upon it; no individual expectation can have included it; it will arise, if it arises, purely by conscious public action which will deprive one piece of land of a certain building value and will confer it upon another piece. Surely it would be in every way expedient and fair that the value thus conferred on the one piece of land should be used to compensate the owner whose land has had value taken from it.

It should not be beyond our power to frame machinery which will enable the community to secure enough of the increment of value which is due to its town planning action to pay the greater part, at any rate, of the compensation which that action entails. I am convinced that this can be done more readily because the increase of value due to town planning will far outweigh any incidental decrease.